



## Investing Global dividends enjoy record-breaking start to 2018

**Following a bumper year in 2017, global dividends have enjoyed a strong start to 2018, with growing company profits pushing them 10.2% higher than they were this time last year.**

It is expected that economic growth will continue to bolster profit growth which, in return, should lead to even higher dividends in the future. This is all very encouraging for investors seeking income, but how can they best access these dividends and which pockets of the market are most attractive?

### **UK dividend growth boosted by Tobacco and TV**

Dividends appreciated by more than 20% in the first three months of 2018. However, this figure was positively distorted by the fact that FTSE 100 giant British American Tobacco started paying quarterly dividends as opposed to semi-annual payments. The company made the change following its acquisition of Reynolds American last year, which brought with it a large contingent of US shareholders used to the more regular income. A special dividend from Sky also boosted the headline number. Underlying dividend growth in the UK actually came in at 4.2% when these factors are removed. Mining company, BHP Billiton, was one of the largest contributors to the underlying dividend increase on the back of a continued resurgence in mining dividends.



### **Canada and the US broke all-time dividend records**

US dividend payouts rose by 8% and Canadian dividend payouts rose by over 13%. Both countries broke their quarterly records. Canada's increase was mostly because financials and oil & gas companies performed well. In the US, dividends were boosted by the strong performance of technology, financial and healthcare stocks.

### **European equities grew by double-digits**

Dividends in continental Europe grew by 13%, although this was propelled by the strength of the Euro. When taking this currency effect into account, underlying dividend growth was just under 4% – a more modest amount reflecting the fact that relatively few European companies pay their dividend in the first quarter of the year and because European healthcare, particularly in Switzerland, saw lower payouts.

### **Hong Kong and Australian dividends struggle**

Asia Pacific (excluding Japan) was the only region to experience lower dividends on both a headline and underlying basis over the period, although this is likely to be temporary. It was a different story in Japan, however, with underlying dividend growth up 8.2%, which was a first quarter record for Japanese dividends.

### **Emerging markets hit by low pay-outs in India**

Emerging market dividends were characteristically volatile, having jumped by more than one-third compared with the same quarter last year. Taking any currency effect out of the equation, underlying growth was 2%, mostly because India saw lower payouts as state-owned mining company Coal India pushed its dividends down. Russian payouts were also lower, but dividends in Brazil rose significantly.

China is severely under-represented in the first quarter for seasonal reasons. It is comfortably the largest emerging-market payer, and has shown flat or falling dividends over the past three years. Its performance for 2018 is likely to be better and will be crucial for the overall emerging market total.

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Information valid at 14th May 2018.

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